From: phillip boggio [lpboggio@msn.com]
Sent: Wednesday, December 31, 2008 12:15 PM
To: Stacey Sutay
Subject: Mark-to-market rules

* 1 2 0 1 - U F M *

LETTER OF COMMENT NO. 11

Ladies and Gentlemen:

I recently read an article in the Wall Street Journal indicating the possibility of your consideration of an adjustment to the current mark-to-market rules for certain asset based securities. I have been attempting to contact the SEC concerning their role in the enforcement of the existing rules without success.

I propose that you consider the approach I have outlined below as a means of restoring the connection between the tangible asset that are the security for the paper assets held by institutions as investments.

In the case of real estate mortgages:

Due to the different levels of original equity provided by the owners of the property covered by a mortgage, I propose a tiered approach to the valuation allowed in the portfolio of the investors in the mortgage paper. Since there is widespread evidence of a decrease in residential real estate values there needs to be a recognition of the decrease in the value of the security that the real estate provides to the mortgage paper. Having said that, it also need to be recognized that the market for mortgage paper has declined to a far greater degree than the value of the underlying real estate.

The structure that makes sense to me would be to make an annual pronouncement of the reduction of the vale of the mortgage paper on the books of the investor that approximates the reduction in value of real estate nationwide. This would need to be accompanied by a footnote indication that the actual value of the property securing each individual mortgage could vary significantly from the established nationwide level for mortgage paper.
At this point in time I propose the following valuation levels for the following mortgage types with an adjustment made annually based on the change in valuation during the upcoming year.

Subprime mortgages - reduce the value to 70% of the current face value
Alt-A mortgages - reduce the value to 80% of the current face value
Prime mortgages - reduce the value to 90% of the current face value

These values reflect both the level of owners equity when the original mortgage was established and the subsequent reduction of real estate values over the past year. Such a structure would reverse some of the adverse effects of the inefficiencies reflected in the market for mortgage paper. It would also restore a significant portion of the capital that has been removed from the capital structure of the firms investing in mortgage paper.

In the case of auto loan paper:

Here, I propose a valuation that is tied to the blue book value of the vehicles using the mean value between the vehicles with high mileage and standard features and vehicles with low mileage and many optional features. Since the life of the vehicles is much shorter than real estate, I propose that the valuation levels be revised every six months.

In the case of credit card paper:

Here, I propose a valuation grid based upon the credit score of the borrower with the valuation of the paper of a pool of credit card receivables being a compilation of the borrowers scores within the pool.

I believe that the above approach would provide some much needed relief to the credit markets in general since under the current market there is no reasonable way for paper assets values to be tied to the underlying value of the assets securing the paper.

If you wish to contact me to discuss the proposals further, please do so.

Phillip H. Boggio
3533 MacDuff Circle
Billings, MT 59101

(406) 259-6545
(406) 861-8451 cell
Please leave a message as I do not normally answer phone numbers I do not recognize. Thanks.